

Fill in this information to identify the case:Debtor Name: Digital Custody Inc.United States Bankruptcy Court for the _____ District of DelawareCase Number: 22-11115

Official Form 426

Periodic Report Regarding Value, Operations, and Profitability of Entities in Which the Debtor's Estate Holds a Substantial or Controlling Interest

12/17

This is the Periodic Report as of 06/30/2023 on the value, operations, and profitability of those entities in which a Debtor holds, or two or more Debtors collectively hold, a substantial or controlling interest (a "Controlled Non-Debtor Entity"), as required by Bankruptcy Rule 2015.3. For purposes of this form, "Debtor" shall include the estate of such Debtor.

Digital Custody Inc. holds a substantial or controlling interest in the following entities:

Name of Controlled Non-Debtor Entity	Interest of the Debtor	Tab #
FTX Vault Trust Co	100%	

This *Periodic Report* contains separate reports (*Entity Reports*) on the value, operations, and profitability of each Controlled Non-Debtor Entity.

Each *Entity Report* consists of five exhibits.

Exhibit A contains the most recently available: balance sheet, statement of income (*loss*), and a statement of changes in shareholders' or partners' equity (*deficit*) for the period covered by the *Entity Report*, along with summarized footnotes.

Exhibit B describes the Controlled Non-Debtor Entity's business operations.

Exhibit C describes claims between the Controlled Non-Debtor Entity and any other Controlled Non-Debtor Entity.

Exhibit D describes how federal, state or local taxes, and any tax attributes, refunds, or other benefits, have been allocated between or among the Controlled Non-Debtor Entity and any Debtor or any other Controlled Non-Debtor Entity and includes a copy of each tax sharing or tax allocation agreement to which the Controlled Non-Debtor Entity is a party with any other Controlled Non-Debtor Entity.

Exhibit E describes any payment, by the Controlled Non-Debtor Entity, of any claims, administrative expenses or professional fees that have been or could be asserted against any Debtor, or the incurrence of any obligation to make such payments, together with the reason for the entity's payment thereof or incurrence of any obligation with respect thereto.

This *Periodic Report* must be signed by a representative of the trustee or debtor in possession.

The undersigned, having reviewed the Entity Reports for each Controlled Non-Debtor Entity, and being familiar with the Debtor's financial affairs, verifies under the penalty of perjury that to the best of his or her knowledge, (i) this Periodic Report and the attached Entity Reports are complete, accurate, and truthful to the best of his or her knowledge, and (ii) the Debtor did not cause the creation of any entity with actual deliberate intent to evade the requirements of Bankruptcy Rule 2015.3

For non-individual Debtors:

Mary Cilia

Mary Cilia (S01-20-2023-10-05 CDT)

Signature of Authorized individual

Mary Cilia

Printed name of Authorized Individual

Date 09 / 29 / 2023

MM / DD / YYYY

For individual Debtors:

Signature of Debtor 1

Signature of Debtor 2

Printed name of Debtor 1

Printed name of Debtor 2

Date _____

Date _____

MM / DD / YYYY

MM / DD / YYYY

GENERAL NOTES

This periodic report (the “Periodic Report”) has been prepared solely for the purpose of complying with Rule 2015.3 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). This Periodic Report contains certain financial information for a non-debtor entity of a non-publicly traded corporation in which an estate of a Debtor (as defined below) controls or owns at least a twenty percent (20%) interest (a “Controlled Non-Debtor Entity”). The information provided in this Periodic Report has been provided by the Debtors’ management.

Description of these Chapter 11 Cases

On November 11 and November 14, 2022 (as applicable, the “Petition Date”), FTX Trading Ltd. and its affiliated debtors (each a “Debtor” and, collectively, the “Debtors”)¹ each filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. The Debtors’ chapter 11 cases (the “Chapter 11 Cases”) are being jointly administered for procedural purposes only pursuant to Bankruptcy Rule 1015(b) and Rule 1015-1 of the Local Bankruptcy Rules for the United States Bankruptcy Court for the District of Delaware. On December 15, 2022, the United States Trustee appointed an official committee of unsecured creditors in the Chapter 11 Cases pursuant to section 1102(a)(1) of the Bankruptcy Code. Additional information about these Chapter 11 Cases, court filings, and claims information is available at the Debtors’ restructuring website: <https://restructuring.ra.kroll.com/FTX>.

Financial Statements

The financial information contained herein is unaudited, limited in scope, and as such, has not been subject to procedures that typically would be applied to financial statements in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and are not intended to reconcile fully with any financial statements prepared under U.S. GAAP. The Controlled Non-Debtor Entity maintains its books and records in accordance with U.S. GAAP and the information furnished in this Periodic Report utilizes the Controlled Non-Debtor Entity’s normal accrual method of accounting.

For financial reporting purposes, the Debtors prepare consolidated financial statements at Debtor Digital Custody Inc. (Case Number 22-11115), which include information for the Controlled Non-Debtor Entity. This Periodic Report only contains financial information of the Controlled Non-Debtor Entity. The financial statements presented in this Periodic Report are derived from the books and records prepared and maintained by the respective Controlled Non-Debtor Entity as provided to the Debtors. The presentation in this Periodic Report does not include all the information and footnotes required by U.S. GAAP for complete financial statements. The financial statements and supplemental information contained herein represent condensed information, are limited in scope, and cover a limited time period.

¹ A complete list of the Debtors in these chapter 11 cases may be obtained on the website of the Debtors’ claims and noticing agent at <https://restructuring.ra.kroll.com/FTX>.

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Unless otherwise noted, the Periodic Report generally reflects the Controlled Non-Debtor Entity's books and records and financial activity occurring during the time period covered by this Periodic Report. Except as otherwise noted, no adjustments have been made for activity occurring after the close of the time period covered by this Periodic Report.

Although management made reasonable efforts to ensure that the financial information is accurate and complete based on information that was available to them at the time of preparation, subsequent information or discovery may result in material changes to the information. Notwithstanding any such discovery, new information, or errors or omissions, the Debtors do not undertake any obligation or commitment to update this Periodic Report. Nothing in this Periodic Report shall constitute a waiver of any rights of the Debtors, including the right to amend the information contained herein. The financial information disclosed herein was not prepared in accordance with federal or state securities laws or other applicable nonbankruptcy law or in lieu of complying with any periodic reporting requirements thereunder. Persons and entities trading in or otherwise purchasing, selling, or transferring the claims against or equity interests in the Debtors should evaluate this financial information in light of the purposes for which it was prepared. The Debtors, the Controlled Non-Debtor Entity, and the Debtors' advisors are not liable for and undertake no responsibility to indicate variations from securities laws or for any evaluations of the Debtors based on this financial information or any other information.

This Periodic Report should not be relied upon by any persons for information relating to current or future financial condition, events, or performance of the Controlled Non-Debtor Entity or their affiliates, as the results of operations contained herein are not necessarily indicative of results which may be expected from any other period or for the full year, and may not necessarily reflect the combined results of operations, financial position, and schedule of receipts and disbursements in the future. Further, this Periodic Report is limited in scope, covers a limited time period, and has been prepared solely for purposes of fulfilling the requirements of Bankruptcy Rule 2015.3. Accordingly, the following notes, statements, and limitations should be referred to, and referenced in connection with, any review of this Periodic Report.

Intercompany Transactions

Prior to the Petition Date and continuing thereafter, but only as approved by the Court, the Debtors routinely engaged, and continue to engage, in intercompany transactions with the Controlled Non-Debtor Entity. Intercompany transactions have not been eliminated in the Balance Sheet and Statement of Income (Loss) contained herein, as these eliminations are only performed in consolidation.

Current Values

The Debtors do not maintain fair market value or other bases of valuation for the Controlled Non-Debtor Entity, which may differ substantially from the net book value of these entities.

Currency

The amounts herein are presented in United States dollars, unless otherwise stated.

CASE NAME: Digital Custody Inc.CASE NUMBER: 22-11115**Reservation of Rights**

Nothing contained in this Periodic Report shall constitute a waiver or admission by the Debtors in any respect, nor shall this Periodic Report or any information set forth herein waive or release any of the Debtors' rights or admissions with respect to these chapter 11 cases, or their estates, including with respect to, among other things, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or re-characterization of contracts, assumption or rejection of contracts under the provisions of chapter 3 of the Bankruptcy Code and/or causes of action under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers. The Debtors are reviewing the assets and liabilities of their affiliates on an ongoing basis, including, without limitation, with respect to intercompany claims and obligations, and nothing contained in this Periodic Report shall constitute a waiver of any of the Debtors' or their affiliates' rights with respect to such assets, liabilities, claims, and obligations that may exist.

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Exhibit A: Financial Statements for Controlled Non-Debtor Entities

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United States Bankruptcy Court
District of Delaware

In re:

Digital Custody Inc.

Case No. 22-11115

Name of Non-Debtor Entity

FTX Vault Trust Co

Interest of the Estate

100%

CASE NAME: Digital Custody Inc.CASE NUMBER: 22-11115**Exhibit A-1: Balance Sheet of Controlled Non-Debtor Entities as of 06/30/2023****Official Form 426**United States Bankruptcy Court
District of Delaware**Exhibit A-1: Balance Sheet of Non-Debtors**

In US \$ Unless Otherwise Indicated	As of December 31, 2022 FTX Vault Trust Co	As of June 30, 2023 FTX Vault Trust Co
Assets		
Cash and cash equivalents	\$ 1,889,879 ⁽¹⁾	\$ 1,550,317
Cash segregated in pledge account	1,514,002	1,540,791
Total assets	3,403,881	3,091,109
Liabilities and Stockholders' Equity		
Intercompany payable	394,670	394,670
Payroll liabilities	-	-
Other liabilities	-	-
Total Liabilities	394,670	394,670
Additional Paid in Capital	3,615,900	3,615,900
Retained Earnings (Deficit)	(606,690)	(919,462)
Total Stockholders' Equity	3,009,210	2,696,438
Total Liabilities and Stockholders' Equity	\$ 3,403,881	\$ 3,091,109

(1) - Additional funds were held at a bank account of Debtor Digital Custody Inc. in order to satisfy FTX Vault Trust Co regulatory requirements. At the time of filing, Digital Custody Inc. maintained \$982k in this account. Upon granting of the order authorizing the Debtors to operate a cash management system (D.I. 145), the Debtors moved the remaining balance from Digital Custody Inc.'s account to the WRS silo account.

CASE NAME: Digital Custody Inc.CASE NUMBER: 22-11115**Exhibit A-2: Statement of Income (Loss) for controlled Non-Debtor Entities for the period ended 06/30/2023****Official Form 426**United States Bankruptcy Court
District of Delaware**Exhibit A-2: Statement of Income (Loss)**

In US \$ Unless Otherwise Indicated	As of December 31, 2022	As of June 30, 2023
	FTX Vault Trust Co	FTX Vault Trust Co
Revenues:		
Interest Income	\$ 14,539	\$ 26,790
Other Income	1,012	-
Net Revenue	15,551	26,790
Expenses:		
Bank Service Charges	770	290
Board of Director Fee	2,000	12,000
Business Licenses and Permits	4,570	4,500
Computer and Internet Expenses	34,860	32,162
Insurance Expenses	1,241	1,378
Office Supplies	400	-
Payroll Expenses	441,241	273,700
Employee Benefit	31,379	522
Postage and Delivery	57	141
Professional Fees	76,080	-
Rent Expense	26,648	14,869
Taxes Paid	545	-
Utilities	2,663	-
Total Expenses	622,453	339,562
Net Income (Loss)	\$ (606,902)	\$ (312,772)

CASE NAME: Digital Custody Inc.CASE NUMBER: 22-11115**Exhibit A-3: Statement of Cash Flows for Controlled Non-Debtor Entities for the period ended 06/30/2023****Official Form 426**United States Bankruptcy Court
District of Delaware**Exhibit A-3: Statement of Cash Flows**

In US \$ Unless Otherwise Indicated	As of December 31, 2022	As of June 30, 2023
	FTX Vault Trust Co	FTX Vault Trust Co
Cash Flows from Operating Activities		
Net income (loss)	\$ (606,902)	\$ (312,772)
Payroll Liabilities	-	-
Intercompany Payable	394,670	-
Net cash flows used by operating activities	(212,232)	(312,772)
Cash Flows from Financing Activities		
Paid-in capital	115,900	-
Net cash flows from financing activities	115,900	-
Net cash increase (decrease) for period	(96,332)	(312,772)
Cash at beginning of period	3,500,212	3,403,881
Cash at end of period	\$ 3,403,881	\$ 3,091,109

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Exhibit A-4: Statement of Changes in Shareholders'/Partners' Equity (Deficit) for Controlled Non-Debtor Entities for the period ended 06/30/2023

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Exhibit A-4: Statement of Changes in Shareholders'/Partners' Equity (Deficit)

Neither Debtor Digital Custody Inc. nor FTX Vault Trust Co prepare or maintain a statement of shareholders' equity. The statement of shareholders' equity is prepared and maintained on a consolidated basis at Debtor West Realm Shires Inc.

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Exhibit B: Description of Operations for Controlled Non-Debtor Entities

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<u>Non-Debtor Entity</u>	<u>Description</u>
FTX Vault Trust Co	Entity created to hold customer currency and digital assets as fiduciary and trust. Entity was not operational and did not hold any customer currency or digital assets at the commencement of these Chapter 11 Cases.

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Exhibit C: Description of Intercompany Claims

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FTX Vault Trust Co does not have intercompany balances with other Controlled Non-Debtor Entities. As of June 30, 2023, FTX Vault Trust Co has an intercompany payables balance of \$395k with Debtor Digital Custody Inc. The \$395k was provided to maintain capital reserve requirements mandated by South Dakota regulatory agencies. The bank account previously established to supply these funds is held by FTX Vault Trust Co's parent company, Debtor Digital Custody Inc.

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Exhibit D: Allocation of Tax Liabilities and Assets

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Debtor Digital Custody Inc. does not conduct an allocation of tax assets or liabilities to its subsidiary entity. Since the acquisition of FTX Vault Trust Co by Debtor Digital Custody Inc. in August 2022, there has not been any allocation of tax attributes to FTX Vault Trust Co. from Debtor West Realm Shires Inc. or its subsidiary entities.

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Exhibit E - Description of Controlled Non-Debtor Entity's payments of Administrative Expenses, or Professional Fees otherwise payable by a Debtor

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As of the balance sheet date of the financials presented in Exhibit A (June 30, 2023), no payments of professional fees were made by FTX Vault Trust Co that would have otherwise been payable by a Debtor entity. FTX Vault Trust Co made office lease payments of \$18.7k and \$5.3k on an office lease agreement originally in the name of Debtor Digital Custody Inc. in 2022 and 2023 respectively. The leased facility is used for operations and fulfills certain statutory requirements of FTX Vault Trust Co; it provides no benefit to the Debtor entities. The lease agreement has been assigned to FTX Vault Trust Co during the pendency of these Chapter 11 Cases, and all related payments should be viewed as payments made by FTX Vault Trust Co.